

# South Dakota Health Insurance Exchange

## Operations and Finance Subcommittee Meeting

August 16, 2011

Kings Inn, Pierre, SD

### **Present:**

|                           |                       |                     |
|---------------------------|-----------------------|---------------------|
| Lt. Governor Matt Michels | Geraldine Ray         | Deb Fischer-Clemens |
| Rachel Byrum              | Dom Bianco            | Glenda Bruch        |
| Pam Roberts               | Pam Roberts           | Kate Parker         |
| Jim Edman                 | Bob Clark             | Mark Thompson       |
| Carrie Johnson            | Kevin Van Dyke        | Ken Barrette        |
| Teresa Bray               | Shawn Lyons           | Chong Kim           |
| Melissa Klemann           | Jim Reynolds          | Cristine Vogel (VIA |
| Jennifer Stalley          | Barb Smith            | Conference Call)    |
| Kea Warne                 | Sen. Phyllis Heineman |                     |

Kea Warne opened the meeting at 10:00 a.m.

The Lt. Governor welcomed the members to Pierre for the last scheduled task force meeting.

Kea Warne introduced Ken Barrette and noted his presentation on South Dakota's Health Benefit Exchange Cost Component Model includes preliminary estimates.

Mr. Barrett presented the preliminary cost component model to the committee members. Mr. Barrett's presentation of the South Dakota Health Benefit Exchange – Understanding Exchange Cost Drivers presentation covered the following items:

#### Cost model factors

- Based on facilitator model
- Third party hosted portal – vendor verses build from scratch
- Mirror call center after existing Department of Labor call center in Aberdeen
- Billing and payment operations will follow a facilitator model – QHP will handle billing and payment
- State may consider joining multi-state exchange option in future, if feasible
- Medicaid is part of the Exchange
- Income criteria
- Application for Exchange would pass through to the Medicaid system

#### Factors not included in the cost model

- Billing and payment for individual market
- Broker tracking and commissioning
- Full replacement of Medicaid eligibility and enrollment system
- Additional meeting is planned to determine Medicaid population and cost allocation relative to the Exchange
  - Meeting scheduled with DSS on August 17, 2011

#### Additional implementation considerations

- Secondary language capabilities
- Project management

- Broker agent referral look up – determined that cost component will be included
- Possible upgrade to the Person Master Index (PMI) database
  - What is the PMI database – index of personal data, recognized as participants, also known as entities; Recognition value to consumer
  - PMI is currently embedded in Medicaid ACCESS legacy system with 2,500 interfaces
  - System could be leveraged
  - Strategically it would work better as a unique service for the Exchange, as well as for future development outside the Exchange
  - Must be real-time
  - Very expensive but important function
  - May need to be part of the investment under the Establishment Grant application

#### Overview of Exchange Population

- Demographic studies conducted by Department of Labor and Regulations, Market Decisions, and other research sources
- Examined South Dakota's income distribution and Federal Poverty Level (FPL) guidelines
- Population data is subject to change – additional work will be conducted
- Reasonable projections

#### Overview of Exchange Operating Costs

- Portal cost is based on a per member per month fee, usually includes tech support
- Call center estimates are low – based on a 24/7 requirement

#### Medicaid Costs in Exchange

- Estimates still in development
- Funding source considerations

#### Exchange Staff Model

- Example of what staffing would be needed to operate an Exchange
- There would be additional State resource staff utilized

#### Review of Appendix Description and Assumptions

- Requested task force to review and submit comments to Kea Warne, Project Manager

Mr. Barrette mentioned some states are providing comments to HHS regarding billing and payment. Lt. Governor, Matt Michels stated we will submit our comments to the proposed rules through NGA.

If we apply for establishment grant funds, we will want to maximize efficiency for all MAGI and non-MAGI benefits. We need to determine what funding can be used for what programs.

The state's Person Master Index (PMI) is important to the exchange. This database contains individual services and history. Existing participants should not have to re-enter information already on file with the state. There are a number of programs which access the PMI database and now may be a good time to make this a stand-alone system if we can obtain federal funds for a portion of the development.

We will have to pay a minimum flat price for billing and payment (SHOP) to be outsourced because our participant numbers will be low. There will be initial set up costs will be high and we will pay a flat fee.

Shawn Lyons asked how South Dakota compares with other states regarding implementation costs. Mr. Barrette responded that we our costs are comparable to other states.

There are about ten qualified portal providers currently out there.

- Commercial providers
- Medicaid
- Custom build
- Federal solutions

There are additional funding sources available to states.

- 90/10 funds can be used if Medicaid touches it
- 50/50 funds can be used for administration
- 75/25 for ongoing

Teresa Bray suggested the PMI replacement could possibly be funded by establishment grant funds. The Person Master Index serves as a warehouse and the exchange does require data warehouse capability.

The preliminary exchange population is estimated at a range of 193,193 to 319,030 participants. Preliminary estimates for implementation costs are \$19 million with preliminary on-going costs estimated at \$6-7 million. These estimates will change due to additional meetings scheduled with DSS, DOI, and final survey information. Additional guidelines/proposed rules from HHS may also impact these preliminary estimates.

Kevin Van Dyke noted that using the range of participants estimated at 319 - 193 million, that places the per member per month (PMPM) fee between \$2-3.

Mr. Barrette suggested we look into consolidating buying power with multistate procurement to help lower costs.

Navigant will also include a place holder in the final cost component model for broker referral look-up.

Senator Phyllis Heineman asked that we include the impact of Qualified Health Plans in final report.

Lt. Governor Matt Michels discussed the Operations and Finance Subcommittee's draft recommendations:

- Recommends Navigant's detailed preliminary cost model
- Will plan and cost for a state Exchange, looking at multi-state exchange as options evolve
- Combination of existing state staff and new staff
- Outsourcing functions of the Exchange, such as web portal and in sourcing functions as the call center
- Exchange demand should be based on high and low volume
- Reporting analytics – details are within preliminary cost model
- Integrate Outreach and Communication recommendations for marketing and communications
- RFP for third party web Portal
- Navigant and BIT will control the evaluation of whether existing systems could be used to implement the model
- System evaluations will be accepted as set forth
- Exchange will handle all security HIPAA and individual privacy laws
- Centralized Call Center
- Exchange will be primary eligibility and enrollment data interchange
- Not recommending legislation this year
  - Kea Warne indicated that HHS has not been clear on legal authority requirement for Establishment Grant Application purposes
  - Need final regulations from Federal Government to determine legislation
- Use of one standard application
- Follow general accounting and auditing standards to comply with PPACA and governance structure
- If Exchange is part of state government, it should utilize the existing accounting system or software should be purchased

- Finance method - discussion was held regarding \$2-\$3 per member per month, but no recommendation will be made at this time. Further analysis needs to be done to determine the impact on the market, insurance carriers, and employers.
- Exchange will be front end portal for Medicaid/CHIP eligibility, data sources
- Exchange transparency will be maintained through employee reporting specialists, generate necessary reports
- Compare multiple qualified health plans, view customized plan information
- Enrollment transactions should be submitted to the QHP for billing and payment
- Exchange determination of eligibility in Medicaid/CHIP should be directed to Medicaid/CHIP enrollment system
- All plans that meet qualifying standards should be part of Exchange
- Exchange will handle premium credit calculation
- Exchange will handle consumer-led plan rating based on HHS regulations
- Recommends Exchange board of appeals
- Exchange will calculate premium tax credits and adjustments based on HHS regulations
- Exchange IT infrastructure should interface with the necessary databases to verify information, including connection to Federal Data Services Hub, other state agencies, and nationally recognized data sources
- Exchange should not be involved with broker commissioning
- Exchange will handle decision support for consumers, with decision support being developed upon finalization of the Navigator role
- Exchange should allow employer registration and or product selection, contributions, and employee enrollment

The meeting was adjourned at 12:00 p.m.